

24 OCTOBER 1946

I N D E X
Of
WITNESSES

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Liebert, John Grenville (resumed)	8570
Cross by Mr. Levin	8570
" " Mr. KUSANO	8632

I N D E X
Of
EXHIBITS
(none)

1 Thursday, 24 October, 1946

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3
4 INTERNATIONAL MILITARY TRIBUNAL
5 FOR THE FAR EAST
6 Court House of the Tribunal
7 War Ministry Building
8 Tokyo, Japan

9 The Tribunal met, pursuant to adjournment,
10 at 0930.

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14 Appearances:

15 For the Tribunal, same as before.

16 For the Prosecution Section, same as before.

17 For the Defense Section, same as before.

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21 (English to Japanese and Japanese
22 to English interpretation was made by the
23 Language Section, IMTFE.)
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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now in session.

3 THE PRESIDENT: All the accused are present
4 except OKAWA and MATSUI, who are represented by their
5 respective counsel. The record will show their con-
6 tinued absence from day to day until further announced
7 by the Tribunal. I have here a certificate by the
8 medical superintendent of Sugamo Prison certifying
9 that MATSUI is unable to attend the trial. The cer-
10 tificate will be filed.

11 Mr. Levin.
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1 JOHN GRANVILLE LIEBERT, called
2 as a witness on behalf of the prosecution, resumed
3 the stand and testified as follows:
4

CROSS-EXAMINATION

BY MR. LEVIN:

7 Q Mr. Liebert, will you please state whether
8 or not you have previously qualified and testified
9 as an expert in any trial conducted in court?
10

11 A I have not testified before as a witness
12 in any court or before any tribunal.

13 Q I desire to direct your attention to para-
14 graph one of exhibit 840. On what do you base your
15 statement that the Japanese preparation for war--
16 that the Japanese preparations were for the purpose
17 of waging the Pacific war?

18 A Mr. Attorney, what paragraph was that, please?

19 Q Paragraph one.
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1 A I have produced certain evidence before
2 this Tribunal and certain plans made by the War
3 Department and the Board of Planning which I think
4 demonstrated in their context the fact that they
5 were made for war purposes. Almost anyone can
6 come to the conclusion that such preparations were
7 truly for war purposes when we consider what happened
8 after December 7, 1941.

9 MR. LEVIN: Mr. President, I ask that the
10 latter part of that answer be stricken as not being
11 responsive and invading the province of the Tribunal.

12 THE PRESIDENT: He says the things he testi-
13 fied to indicated preparations for war because they
14 were followed by war. I think that answer is responsive.

15 Perhaps you meant to ask him what part of
16 the material that he testified to indicated prepara-
17 tion for war. Some of it might have been associated
18 with the normal defense policy but, of course, quite
19 a lot of it may have gone far beyond that. I do not
20 think he should be asked to indicate all those things.
21 He should state what he discovered and let us draw
22 the conclusions, but you did ask him.

23 MR. LEVIN: If I may say so, Mr. President,
24 I had reference largely to his statement that almost
25 anyone could come to the conclusion that the preparations

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1 were for war, and it seems to me that was beyond the
2 province of the witness.

3 THE PRESIDENT: We certainly do not need the
4 assistance of such observations from the witness. We
5 could draw that conclusion.

6 Q Did you only consider Pearl Harbor in
7 arriving at your conclusion then?

8 A No, I did not.

9 Q Why did you fail to consider world conditions
10 prior to 1931 and immediately thereafter?

11 THE PRESIDENT: I think his data was about
12 Japanese conditions, as far as I recollect.

13 A My investigations have been conducted here
14 in Japan and when I was requested to come before this
15 Tribunal in the capacity of a witness, it was with the
16 intention of disclosing preparations for war from the
17 industrial and financial point of view, as we under-
18 stand the war -- the war against the United States
19 and Great Britain, and the Netherlands, and so forth.

20 After 1932, the aggression or war against
21 Manchuria was a closed affair. That had been completed.
22 Whatever happened in the relations between Japan and
23 China didn't break out formally, as I recall, until
24 1937.

25 Q Prior to entering into an examination of

LIEBERT

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1 Japanese economy for the purpose of testifying,
2 resulting in exhibit 840, did you make a study of
3 the preparation for war by other nations with respect
4 either to World War II or any other war? Correction
5 there: I want to say, either World War I or any
6 other war.

7 THE PRESIDENT: We do not regard him as an
8 expert on what constitutes preparation for war but
9 merely as an expert in collecting material and placing
10 it before the Court so that it can be understood.

11 MR. LEVIN: My understanding of the report,
12 Mr. President, is that it not only collects informa-
13 tion for the benefit of the Court but it gives and
14 asserts many conclusions in relation to the purposes
15 of the stimulation of the Japanese economy and under
16 those circumstances, it seems to me, that these
17 questions are pertinent -- at least throughout the
18 entire report I can point to some of them. They
19 are his conclusions based on the character of the
20 investigation that he made and on the information
21 that he has discovered and given to the Court.

22 THE PRESIDENT: I feel sure that none of
23 my colleagues regards him as being anything more than
24 I suggested he was. I have confirmation here from
25 one of my colleagues. He says we will ignore his

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1 conclusions, we will consider his facts as far as
2 they are proved, and ourselves draw the conclusions.
3 So you will understand, Mr. Levin, that we are not
4 treating him as an expert in what constitutes prepara-
5 tion for war.

6 MR. LEVIN: That is satisfactory to us,
7 Mr. President, and we understand now the basis of
8 the evidence which has been offered and the report
9 which has been made.

10 THE PRESIDENT: You will help us most if
11 you will attack his facts and figures.

12 BY MR. LEVIN (Continued):

13 Q In the preparation of your report, did you
14 make any study as to whether the percentage of increase
15 in economy and stimulation of production was as great
16 or greater in other countries than in Japan?

17 A To do that, Mr. Attorney, it would have
18 required the same sort of study in other nations
19 that I have made in Japan here. That is an almost
20 impossible task. As you have noticed throughout this
21 statement, I have gone back to the year 1931 in almost
22 every instance as that has been decided not by me
23 alone but by others as being a rather normal year
24 for Japanese economy. In this connection I might say
25 that one judges the advance or the scale of the

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1 development of an industry in accordance with
2 some set index. I have more or less determined
3 that index to be 1931.

4 Q Well then, as I understand it, you did
5 not make such a study either superficially or in-
6 tensively; is that correct?

7 A That is correct.

8 Q Do you not think it would have been of
9 great value to the Court if you had made such a
10 study?

11 A Well, I suppose the Tribunal is the best
12 judge of that but it certainly would have helped
13 me to become more familiar with the world situation.

14 Q Having taken 1931 as a basis figure, will
15 you describe the economy of Japan in 1931 which you
16 say was normal?

17 THE PRESIDENT: Brigadier Quilliam.

18 BRIGADIER QUILLIAM: May it please the
19 Tribunal, I am reluctant to interrupt my friend in
20 his cross-examination, but I respectfully submit that
21 the answer to that question would involve the repeti-
22 tion of practically the whole of the evidence the
23 witness has given.

24 MR. LEVIN: Mr. President, the witness has
25 given us a report of facts and figures, and calculations

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1 and statistics. He now speaks of having taken 1931
2 as a normal economy of Japan. It would seem to us
3 that it would be helpful to the Court to be advised
4 by him as to what he considered the normal economy
5 of Japan in 1931. That is the gist of my question.

6 THE PRESIDENT: It is capable of a brief
7 answer so let him answer.

8 A For the determination of 1931 as being a
9 more or less index year, one has to consider the
10 ebb and flow of trade, the relationship between whole-
11 sale prices, commodity prices, wages, and so forth,
12 over a period of an economic cycle which may include
13 twenty years. With such a perspective in view you
14 more or less come to a leveling off year. Now, that
15 year in any particular nation might not correspond
16 with a level year or a so-called normal year in other
17 nations. A multiplicity of factors must be taken
18 into consideration. For instance, we know that the
19 world was suffering from a depression commencing
20 about 1929. Japan came out of that depression pos-
21 sibly a little before the rest of the nations and
22 commenced a revival of trade. At about that period
23 when Japan came to a recovery of business and goods
24 commenced to flow more freely, and the internal
25 economy did not produce unrest among the people but

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1 rather contributed to their material benefit, we can
2 determine that it was a fairly healthy year. Had I,
3 for instance, chosen 1929 as the year, the results
4 would proportionately be a great deal greater and
5 would not in my opinion disclose the true picture.
6 The selection of such a year, I might say, is one
7 based upon the opinion of economists and writers on
8 the subject. It is not an arbitrary selection by
9 myself.

10 Q So you make this statement that you used
11 the year 1931 as the normal year even though the
12 world was at the height of a depression in both
13 domestic and international trade; is that correct?

14 THE PRESIDENT: He said Japan came out of
15 the depression before other nations. He has already
16 answered your question.

17 Q Are you able to state how Japan compared
18 with other countries in the production of basic goods
19 and services, such as you referred to in your report?

20 A My report does not refer in any place to
21 the production of goods or services in any country
22 other than Japan or Manchuria and China as they
23 relate--
24

25 Q I appreciate that. I am asking you, are you
able to state how Japan compared with other countries

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CROSS

1 in the production of basic goods and services such
2 as you referred to in your report?

3 A I think the answer to that question was
4 possibly given before when I stated that I had not
5 made an intensive study of the economy or the pro-
6 duction of other nations. To make such a comparison
7 would necessitate such a complete study in my opinion.

8 Q Was it not essential in order to make the
9 type of report that you did make with reference to
10 Japan to make some study, superficial or otherwise,
11 of what other countries were doing in connection
12 with stimulating production and so forth, especially
13 owing to the depression which had prevailed for a
14 long period of time?

15 A No, I did not consider it essential because,
16 as you recall, the statement, exhibit 840, follows
17 very closely the known plans which I have produced
18 before the Tribunal for the purpose of preparing
19 their industry for war. I am merely trying to show
20 that these plans which have been demonstrated before
21 this Tribunal were, in fact, executed by the nation
22 as a whole.

23 MR. LEVIN: Mr. President, may I suggest
24 that the first portion of the answer of the witness
25 was responsive; the second portion of it was

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1 argumentative and I would like to have a direction
2 to the effect that the witness should answer the
3 questions. I do not think that he should enter into
4 an argument in relation to the problems that are in-
5 volved.

6 THE PRESIDENT: I recall nothing objection-
7 able in any answer that he has given you. You might
8 ask him whether he can give the broad outlines of any
9 measures, financial and industrial, taken by the
10 Japanese Government which find no parallel in other
11 countries as far as he can recollect. He might be
12 able to help you there.

13 MR. LEVIN: I am very glad to adopt the
14 President's suggestion and I will direct that ques-
15 tion to the witness.

16 THE WITNESS: Would you repeat the question,
17 please?

18 THE PRESIDENT: Of course, the prosecution
19 may object that it does not arise out of the affidavit.

20 BRIGADIER QUILLIAM: May it please your Honor,
21 I am anxious if I can not to object. It did occur to
22 me, if I may say so, that the question is answered
23 throughout the whole of the statement.

24 MR. LEVIN: Mr. President, it does seem to
25 us that those questions, questions such as that, are

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1 pertinent although it may not be directly in the
2 statement because whatever other countries did, or the
3 parallel with other countries, would be important --
4 the parallel of what other countries did would be
5 important in the determination of the Court or Tribunal
6 in relation to what Japan did. I should like to add,
7 Mr. President, that although this report has been
8 confined to Japanese commerce and Japanese production,
9 it seems to us throughout our examination, not only
10 mine but that of my colleagues, there would be a
11 question -- related questions -- as to what other
12 countries did. It seems to us it is extremely pertin-
13 ent to a determination of the problems involved.
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THE PRESIDENT: Well, I suppose any economist of standing could tell us whether Japan took any special steps that were not taken in other countries, or were not taken in many countries. However, the witness has indicated that he has not studied conditions in other countries, and his answer should be accepted.

Q Can you state from your study whether or not Japan's production in 1941 was up to planned capacity or did it have --

Q Will you please state whether or not Japanese production in 1941 was up to the planned capacity or did it have a greater potentiality for production? I think I prefaced that with the statement, "Are you able to state from your study?"

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1 A Only in a very few instances did Japan
2 reach, even during the war, her planned capacity.
3 There are two or three factors which must be taken
4 into consideration. I have found in my studies that
5 the plant capacity, as told by the industrialists for
6 an individual operating plant, might vary a great deal
7 from the actual capacity of that plant to produce.
8 I have been told that at the present time -- or in
9 about 1945, the early part of 1945 -- that the steel
10 capacity of Japan was in excess of nine million tons.
11 Yet, I find no evidence that Japan ever reached any-
12 thing like that figure, something like seven and one-
13 half million being the total, due to material shortages
14 and over-estimation of the capacities of the plants.
15 This is a very important fact as an illustration to
16 take into consideration when one considers plant
17 capacities and actual production.

18 At several places in this prepared statement
19 I have called attention to the fact that one of Japan's
20 greatest problems was the securing of the necessary
21 raw materials to develop her heavy industries, her
22 war production industries. When a shortage of raw
23 materials was at hand, the plants, of course, could
24 not produce. I have on the table here many studies
25 of particular plants and many surveys, not only by

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1 the Japanese Government, but by people brought over
2 by the occupation forces to make these special studies.
3 These things I will make available to you whenever you
4 wish.

5 Q Well, do I understand from your answer that
6 its potentiality for a greater production was limited
7 because of the shortage of materials?

8 A Well, you had material shortages, yes; and
9 you had deliberate curtailment of certain kinds of
10 production in order to funnel material, labor, finance,
11 and all the elements which make up industrial activity,
12 into certain set channels which were set by the Plan-
13 ning Board and by the overall production plans made
14 by the Government.

15 Q Can you state whether or not the production
16 under the plan exceeded the planned capacity, or did
17 it fall below it; and if so, to what extent?

18 THE PRESIDENT: I think these figures show
19 that. They show what the objectives of the plans
20 were and how far they were realized, and they fell
21 short in many cases; in fact, I do not recall a case
22 in which the objectives of the plan were achieved,
23 but I am subject to correction.

24 Q Do you know whether the Five-Year Plan,
25 exhibit 841, was adopted by the Japanese Government?

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1 A This plan was discovered in the archives of
2 the War Office as a top secret document, which domi-
3 nated, of course, the policy of Japan. I can state
4 this for a certainty, that the outlines of the plan
5 were carried out in effect as I have demonstrated.
6 Whether there was any official overall action by all
7 the members of the Japanese Government in regard to
8 this plan I cannot say.

9 Q I take it, then, you wouldn't know whether
10 the plan was approved by the Cabinet?

11 A Yes.

12 Q Directing your attention to page 3 of your
13 report, you state that the organization of power
14 industry was on a totalitarian basis. Have you made
15 a study of totalitarian governments and the organiza-
16 tion of industries therein?

17 THE PRESIDENT: Well, I do not think this
18 will help us, Mr. Levin.

19 Q Do you know whether or not there was compe-
20 tition between the hydro-power interests and the
21 electric power interests to increase their outputs
22 during the period covered in your testimony?

23 A I am afraid I do not quite understand the
24 question, but I will answer it as best as I under-
25 stand it.

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1 Competition within the electric power in-
2 dustry, as between individual companies, of course
3 there was none for profit, because the entire industry
4 was controlled by the Government under the Japan
5 Electric Power and Transmission Company. This company
6 developed the individual plants and companies which it
7 took over under its guidance and direction. Free
8 competition, as we know it in America, for the purpose
9 of profit did not, in my opinion, exist within the
10 electric power industry for the period covered.

11 Q On page 5 of your report you refer to the
12 Government guarantee of four per cent on stock of
13 various corporations. Do you regard that as unusual,
14 excessive, and improper?

15 A Unusual, yes; improper, I can draw no con-
16 clusions as to that.

17 Q Isn't it true that Japan has always had an
18 economy of scarcities and has, therefore, had more state
19 control, state ownership, and planned economy, than
20 most other countries?

21 A That Japan's economy is one of scarcities is
22 true. That it has had, for that reason, more state
23 control and more state ownership than other countries,
24 is not true until the -- take for instance Sweden,
25 likewise a country with an economy of scarcities,

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1 which has been built up on an entirely different basis,
2 one of cooperatives among people.

3 Rigid government control in Japan did not
4 begin until about fifteen years ago. Nor did it com-
5 mence with the industrialization of Japan. It did
6 commence, however, very strongly about 1936, and in-
7 creased until by 1941 the entire economy was controlled
8 directly by the Government.

9 Q Isn't it true that population problems and
10 material shortages have compelled Japan to develop
11 community responsibility for raw material plus the
12 so-called controlled economy?

13 A Japan's economy historically has been rather
14 two-headed. For instance, before the industrializa-
15 tion of Japan, and during the early days of it, the
16 major portion of Japan's production was done in home
17 industries, at home or in small shops employing a
18 very few people, serving a particular community. It
19 was not, historically, until the advent of the so-
20 called Zaibatsu groups into the industrial field, that
21 we saw any kind of concentration of industrial activity
22 in the form of very large plants in any one place.

23 Q In your study of the Japanese economy, did
24 you find that the Zaibatsu groups had anything to do
25 with the development of this kind?

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1 A Developments of what kind, Mr. Attorney?

2 Q The industrial and economic expansion which
3 you referred to in your report?

4 A Industrial activity or industrial expansion
5 during the last two decades has always been spear-
6 headed by the Zaibatsu group.

7 Q Referring back to the development of pro-
8 duction of electric power, did not this expansion in
9 the production of electric power advance the economy
10 and improve social conditions in Japan?

11 A I might refer you to page 7, to the attached
12 chart 7-A, which shows quite clearly the effect and
13 the use of this increase in electric power. As you
14 will notice from that chart, commencing in 1931 and
15 ending in 1941, although there was an enormous in-
16 crease in electric power facilities and consumption,
17 the electric light and household appliances, in normal
18 civilian economy, civilian industries and utilities,
19 did not benefit. As a matter of fact, under some of
20 the regulations issued pursuant to the electrical
21 power distribution control law, civilian use of
22 electricity was curtailed, rather than augmented or
23 increased.
24

25 Q However, with the increase of the facilities
there would be the opportunity for providing additional

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1 light and power for civilian use?

2 A That perfectly demonstrates what I wish to
3 disclose by this information. The facilities were
4 there, but they were not available to the civilian
5 economy which one would normally expect under a normal
6 economy to result.

7 THE PRESIDENT: We will recess for fifteen
8 minutes.

9 (Whereupon, at 1045, a recess was
10 taken until 1100, after which the proceed-
11 ings were resumed as follows:)

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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now resumed.

3 THE PRESIDENT: Mr. Levin.

4 THE WITNESS: I believe, Mr. Levin, that
5 you asked me for a comparison of the use of elec-
6 tric power in Japan, what might be done with those
7 facilities.

8 I have been thinking about what happened
9 in my own country, although I do not have the facts
10 and figures before me. When I consider the Rural
11 Electrification Administration of the United States
12 Government, the TVA project, the Boulder Dam project,
13 the Bonneville Dam project, all of these things done
14 under government control, government direction, by
15 government money, for the purpose of furnishing light
16 to homes, as I recall, the power used by these --
17 developed by these great hydro-electric projects went
18 into irrigation systems to develop new lands on which
19 to settle people, to manufacture home-use commo-
20 dities to be used in lighting homes and developing
21 farms, I can't help but contrast that kind of develop-
22 ment of electric power under government control with
23 the development of electric power facilities in Japan
24 under government control. What the Japanese Govern-
25 ment did with the people's money and with the people's

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1 power is clearly demonstrated in this chart. Basic
2 war and war-supporting industries received the lion's
3 share of this development.

4 BY MR. LEVIN (Continuing):

5 Q Is it not a fact, then, that the use of
6 electricity not only in Japan but in other countries,
7 the United States, as you say, were stimulated either
8 by the direct action of the government or by subsidies
9 or other indirect payments for expansion?

10 A Both the methods and the results were dif-
11 ferent. For instance, the development of electric
12 power at government expense in America paralleled the
13 development of private power interests and did not
14 conflict with them. It took place in America when
15 private industry could not develop this territory
16 in Washington served by the Boulder Dam or the terri-
17 tory in the mountains of Tennessee and the surround-
18 ing states served by the Tennessee Valley project.
19 These were purely government projects, but did not
20 seize the entire control over the electrical industry
21 that the Japanese Government did. The objectives
22 achieved were different. One cannot say they were in
23 any degree similar except in the fact that the govern-
24 ment had some interest in the development.

25 Q Was not Japan far ahead of the United States

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1 in the electrification of homes in rural areas and
2 electric railways in the year 1931?

3 A As I recall, the universal distribution of
4 electric power in Japan was perhaps better in certain
5 of the rural areas than in America. That is the
6 reason the United States Government went into the
7 project of developing electrical energy for those
8 areas which were not supplied in the normal -- by the
9 private electrical plants. Because the distribution
10 was fairly good in Japan in 1931 seems to give even
11 less excuse for the Japanese Government to seize
12 control over the entire power industry.

13 Q Did the Zaibatsu spearhead the electrical
14 industry or these industries as they did other indus-
15 tries which you mentioned before?

16 A Many of the Zaibatsu interests, of course,
17 owned their own plants for the development of their
18 particular industries or their combinations of indus-
19 tries. Many of them owned entire electrical companies
20 from which they distributed power. They did not,
21 however, direct their particular energies toward the
22 development of electric power facilities in Japan in
23 proportion to the direction of their energies in other
24 fields.

25 I have here somewhere, Mr. Attorney, a

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1 description of all of the electric power plants in
2 Japan. If you would like to have it, it is avail-
3 able.

4 Q In other words, as I understand you, they
5 were in the electric power business but not to as
6 great an extent as they were in other of the war
7 industries -- or, rather, instead of war industries,
8 other industries?

9 A Just exactly what a Zaibatsu is, or what a
10 Zaibatsu interest is, is rather difficult to define.
11 But let me suggest that the term is applied to a par-
12 ticular group or family of operators who closely hold
13 interests in many, many industries, some related, some
14 unrelated. A Zaibatsu interest might be represented
15 by a chain of control in which chain you may have
16 banks, shipyards, heavy industry plants, light indus-
17 trial plants, some electrical plants, a shipping con-
18 cern, interest in many of these things, all centered
19 into the one control. But by comparison they cer-
20 tainly didn't jump to the production of electric power
21 as rapidly as they did to that of the development of
22 heavy industries; but, incident to the development of
23 heavy industries, they built plants to serve them-
24 selves as part of their rounded control.

25 Q Throughout your report you integrate the

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1 activities of the military to the various industries.
2 Will you state why you didn't integrate the activities
3 of the Zaibatsu, who, I understand, are the most
4 powerful money interests in Japan, to these indus-
5 tries and to the development as you indicate in your
6 report?

7 A Industrial control was a government function.
8 The War Department was a part of the government
9 exercising that function of control. The Zaibatsu
10 were private interests, and their services and facili-
11 ties were rather brought into use in the planned
12 control.

13 Q Is there any difference in the preparation by
14 Japan as compared to other countries in conserving
15 and attempting to maintain reserves and carrying on
16 this business of government and for other purposes,
17 referring to your report, pages 7 and 9? Rather, it
18 should be in the middle of page 8, where you state
19 that the -- refer to the fact that the government was
20 providing for conserving petroleum and oil and making
21 reserves therefor.

22 A Japan did pass a special act to create petro-
23 leum reserves. But, as has been indicated, those
24 petroleum reserves were built up in constantly increas-
25 ing amounts. We can only guess or come to a conclusion

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1 from other inferences that this petroleum was not
2 to be used for civilian purposes. I understand that
3 some governments, under a system of planned economy,
4 do conserve certain critical materials in government
5 stock piles or request industry to do so for the
6 purpose of keeping the economy balanced. When commo-
7 dities are freely available on the world market, how-
8 ever, there seems little need for stock-piling, except
9 for a normal, very short period, these materials.
10 They are readily available.

11 I have cited petroleum as a commodity stock-
12 piled by the Japanese Government against the even-
13 tuality of war or an incident similar to a war, because
14 petroleum is a commodity in such plentiful supply and
15 so readily available that there is hardly any need
16 for doing so if your normal economy is right.
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1 Q Are you through?

2 A I was going to suggest, Mr. Attorney, that
3 so far as I have been able to observe, usually stock-
4 piles of critical materials are set up to keep the
5 internal economy on an even keel. The usual purpose
6 is to build up a stockpile to assure a constant flow
7 into a nation's economy in order that maximum use,
8 maximum constant use might be made of a critical
9 material. In the light of the many restrictions on
10 the use of petroleum by civilians and by the civilian
11 economy it would appear that from an analytical point
12 of view the stockpile seemed to exist for itself.

13 Q For the purpose of this comparison, may I
14 call your attention to the fact that in the early
15 twenties the United States, when the Teapot Dome
16 scandal broke out, when there was less danger of war
17 than at other times -- the United States insisted on
18 recovering large fields of oil.

19 THE MONITOR: Mr. Levin, will you please
20 speak into the microphone. We have difficulty in
21 hearing you.

22 MR. LEVIN: Yes, I will.

23 Q (Continuing) recovering large fields of
24 oil that have been transferred by contract or other-
25 wise to private concerns. In the light of this

LIEBERT

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1 action, would you say that the arranging for re-
2 serves by Japan for the purpose of carrying on its
3 business with the limited supplies was preparation
4 for war?

5 A Not at all. As I recall the Teapot Dome
6 scandal, as you call it, there was an element of
7 fraud and graft on the part of certain of our
8 officials concerned which had to be, of course,
9 rectified by punishment of those individuals. As
10 I recall from reading, I believe the Teapot Dome
11 area was set aside as an oil reserve at a time when
12 the United States Government was becoming conserva-
13 tion conscious.

14 THE PRESIDENT: That does not help.

15 Q I call your attention to the sentence on
16 the bottom of page 9 of your statement, which reads
17 as follows: "Many reorganizations and amalgamations
18 took place after 1937 to improve the financial and
19 operating structures of the old line oil companies."
20 Why is there anything unusual or different with
21 Japan in the reorganization and amalgamation of organ-
22 izations that took place after 1937 to improve the
23 financial and operating stocks of the old line oil
24 companies?

25 A Paragraph thirteen on page 8: I cite the

LIEBERT

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1 Petroleum Industry Law as the beginning of an extens-
2 ive campaign to create a monopoly in the oil indus-
3 try by inaugurating a licensing system for oil re-
4 fining enterprises and oil importing. In my opinion,
5 this law forced reorganization and amalgamations of
6 these industries to -- in order that they might save
7 themselves and comply also with the terms of the law.
8 Emphasis was on unification of the industry for the
9 purpose of control for greater efficiency in pre-
10 duction. This could best be accomplished by more
11 integration -- more closely integration of these oil
12 companies.

13 Q Well, I am not going to limit you to a
14 categorical answer. I would still like an answer to
15 the question if there is anything unusual or differ-
16 ent in these reorganizations.

17 THE PRESIDENT: He said it was part of an
18 attempt to create a monopoly, and that would make it
19 different. So I understood.

20 Q You are aware, are you not, that in the early
21 thirties a number of countries passed remedial stat-
22 utes, to aid corporations during the depression, which
23 provided for the reorganization of those corporations?

24 A I am aware of certain measures taken by the
25 government in this direction.

LIEBERT

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1 Q Was not this type of reorganization and
2 amalgamation in Japan similar to that used by a
3 corporation to reorganize the United States and prob-
4 ably other countries during the period of the de-
5 pression?

6 A I am familiar with legislation in the
7 United States which created the Anti-Trust Bureau
8 within the Department of Justice for the purpose of
9 breaking up monopolies and combines in restraint of
10 trade for prevention of free competition in the
11 United States during this period. I am also familiar
12 in some degree with the Reconstruction Finance Cor-
13 poration activities in the United States which
14 loaned money to companies that were having hard
15 going during the depression for the purpose of put-
16 ting them on their feet. These purposes and effects
17 were quite different from that contemplated and
18 executed under the Petroleum Industry Law here in
19 Japan. I know of no legislation during this period
20 in the United States which fostered the creation of
21 monopolies or restraint of trade during that period.
22 I don't know about other countries.

23 MR. LEVIN: Mr. President, I have no desire
24 to explore that matter further except to state that
25 the witness did not answer my question. I have

LIEBERT

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1 reference to what is known as the Bankruptcy Re-
2 organization Act, Chapter 10, the United States
3 Statutes. But I think it will not help to carry on
4 this question further.

5 Q Have you figures available and can you state
6 when the United States first ceased imports to Japan?

7 THE MONITOR: Will the reporter please read
8 that?

9 (Whereupon, the last question was
10 read by the official court reporter.)

11 THE MONITOR: What do you mean by "imports":
12 exports from Japan or imports to Japan?

13 A. LEVIN: I mean exports from the United
14 States to Japan.

15 A I have somewhere here, Mr. Levin, a sort of
16 chronological survey of what the United States did
17 in relation to Japan. I will try to give a bit from
18 memory. I recall, in 1940, we put a moral embargo
19 upon the shipment of aircraft and aircraft parts to
20 Japan because of political differences at that time.

21 Q If I can interrupt your answer, if it will
22 help you, possibly you can get this chart during the
23 noon hour and refresh your recollection, and it would
24 probably be more satisfactory to all of us if you
25 testified from that.

LIEBERT

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1 A I will attempt to do so, Mr. Levin.

2 Q Can you state how much of the Japanese war
3 potential came from the United States prior to 1939?

4 A To give you a correct answer to that ques-
5 tion I would have to recapitulate the entire exports
6 from the United States to Japan for a definite
7 period and then break it down into categories of war
8 potential materials, and that would take considerable
9 time. If it is helpful, Mr. Levin, I can say that
10 we did export to Japan steel scrap, oil, and many
11 other commodities in the course of trade. We had them
12 to sell, and they bought them.

13 Q Could you give us any calculation -- any
14 statement by way of estimate or otherwise as to the
15 percentage of war potential that came from the United
16 States prior to 1939 to Japan?

17 A I wouldn't attempt to do that now, Mr.
18 Levin.

19 Q Are you able to state whether much of the
20 Japanese war potential came from Great Britain or
21 Germany?
22

23 A I am aware that Japan had imports from
24 Great Britain and imports from Germany in the goods
25 which can be classified as war potential goods. I
cannot give you the percentages. You see, war •

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1 potential or war goods consists of such things which
2 in many cases are likewise goods used for a peace-
3 time economy. Steel may be used for automobiles and
4 plowshares, or it may be used for tanks; aluminum may
5 be used for pots and pans or for airplanes; or oil
6 may be used for stoves or battleships. You see the
7 difficulty in giving you an exact answer to that
8 question?

9 Q Can you state what the effect was of the
10 United States' withdrawal of oil, steel, minerals,
11 rubber and other war products upon the Japanese
12 economy?

13 A If you will refer to 10-A in the statement,
14 you can see what happened to the economy of Japan
15 from the standpoint of her oil stocks, when the
16 United States ceased her exports to Japan, in a
17 sharp decline from 1940 to 1941 at a point where she
18 commenced the war.

19 Q In other words -- are you through, Mr.
20 Liebert?

21 A Yes, that's sufficient.

22 Q In other words, Japan was greatly dependent
23 upon the United States and other countries in con-
24 nection with maintaining its economy, was it not?
25

A Yes. Japan depended upon imports to

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AFTERNOON SESSION

The Tribunal met, pursuant to recess, at 1330.

MARSHAL OF THE COURT: The International
Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Mr. Levin.

MR. LEVIN: Mr. President.

JOHN GRANVILLE LIEBERT, called
as a witness on behalf of the prosecution, resumed
the stand and testified as follows:

CROSS-EXAMINATION (

BY MR. LEVIN: (Continued)

Q Were you able, Mr. Liebert, during the
noon recess to get the chart and figures which we
referred to this morning?

A I procured the document I had in mind,
which is a State Department document, and this was
a statement prepared by the Foreign Economic Admin-
istration, Enemy Branch, entitled, "An Estimate of
Japan's Imports for War Purposes in the Pre-War
Period." I shall let you have that document if you
wish, but attached to the back of it is a chrono-
logical survey which I had in mind, and if you like
I can read it to you.

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1 sustain the type of economy which she projected and
2 had.

3 THE PRESIDENT: We will recess until half
4 past one.

5 (Whereupon, at 1200, a recess was
6 taken.)

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1 AFTERNOON SESSION

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15 noon recess to get the chart and figures which we
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21 Japan's Imports for War Purposes in the Pre-War
22 Period." I shall let you have that document if you
23 wish, but attached to the back of it is a chrono-
24 logical survey which I had in mind, and if you like
25 I can read it to you.

LIEBERT

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1 Q If it is not too long, Mr. Liebert, please
2 read it.

3 A (Reading): "In May, 1930, there was passed
4 in Japan the Export Indemnity Law whereby the limit
5 of indemnification was set at 70 percent of the loss
6 to exchange banks.
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1 "December 17, 1931, Japan abandoned the
2 gold standard.

3 "July, 1932, the Capital Flight Protection
4 Law was passed which was repealed by the Foreign
5 Exchange Control Law of 1933.

6 "March, 1937, five-year plan for steel was
7 inaugurated to achieve a production of 6,200,000
8 metric tons per annum by 1941.

9 "July, 1937, this five-year plan was extended
10 to 10,000,000 metric tons per annum.

11 "August, 1937, the gold reserves were re-
12 valued by the Bank of Japan.

13 "June 11, 1938, moral embargo was placed by
14 United States on aircraft, armaments, engine parts,
15 aerial bombs and torpedoes."

16 I was in error this morning and I recall I
17 relied upon my memory and gave the date as 1940. The
18 correct date is 1938.

19 "July 26, 1939, Japanese-American Treaty of
20 Commerce and Navigation of 1911 abrogated to become
21 effective January 26, 1940.

22 "October 24, 1939, the Japanese Cabinet
23 decided to change the basis for determining the
24 external value of the yen from the pound sterling to
25 the United States dollar.

LIEBERT

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1 "December 15, 1939, molybdenum and aluminum
2 added by the United States Department to the moral
3 embargo list.

4 "January 26, 1940, expiration of Japanese-
5 American Treaty of Commerce and Navigation of 1911.

6 "June 4, 1940, moral embargo placed by the
7 United States State Department on various types of
8 machine tools.

9 "July 26, 1940, embargo by Presidential
10 proclamation. Limitations were placed on the quantity
11 of export licenses for aviation gasoline, tetra-ethyl
12 lead, lubricating oils, and No. 1 steel scrap.

13 "September 13, 1940, Presidential embargo
14 placed on equipment for production of aviation motor
15 fuel and tetra-ethyl lead or any plans or specifica-
16 tions useful in the design, construction or operation
17 of such."

18 This next item is in answer to a specific
19 question you asked this morning.

20 "September 27, 1940, as of this date United
21 States exports of iron and steel scrap to Japan equals
22 8½ million tons for the past six years."

23 On the same date, "September 27, 1940,
24 Japan, Germany and Italy signed the Mutual Assistance
25 Pact.

LIEBERT

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1 "October 16, 1940, embargo by Presidential
2 proclamation placed on all iron and steel scrap
3 except to the Western Hemisphere and Great Britain.

4 "December 10, 1940, iron and steel embargo
5 of October 16, 1940, placed under a licensing system.

6 "February 3, 1941, copper, brass, zinc,
7 bronze, nickel and potash placed on the embargo list
8 by Presidential proclamation.

9 "May 5, 1941, State Department revoked all
10 licenses for the shipment of scrap rubber to Japan
11 and occupied parts of China.

12 "June 20, 1941, executive order banning all
13 petroleum exports except to Great Britain and South
14 America.

15 "June 14, 1941, Japanese financial assets
16 frozen in the United States."

17 Q I want to direct your attention to page 10
18 of exhibit 840 where you refer to the construction of
19 fast tankers by Japan. Would you say the building of
20 fast tankers was merely a preparation for war or was
21 it the natural development in the advance and science
22 of shipbuilding as applied to tankers?

23 A Well, the ships were built. The purpose for
24 which they were built might have some relation to the
25 purpose to which they were eventually put. I presume

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1 you wish to ask whether I can draw the conclusion
2 that these ships were built only for war purposes at
3 this time; I cannot.

4 Q Well, it is true that ships and tankers
5 become obsolete over periods of time and there is
6 an advance in science and, therefore, it is a natural
7 development to build new ones; is that correct, so
8 that this construction of new tankers might be deter-
9 mined from the basis of necessity under normal con-
10 ditions rather than for war?

11 A I can draw no conclusions as to that. They
12 could be used obviously for normal conditions. They
13 might have been employed in that respect.

14 Q As a matter of fact, Japan was always de-
15 ficient in its supply of oil petroleum, and could not
16 these additions to the fleet of tankers be considered
17 necessary to aid in those requirements -- to satisfy
18 those requirements?

19 A They might have been.

20 Q With the development and use of airplanes
21 was not the question of obtaining aviation gasoline
22 one of major importance for Japan as a nation; and
23 I base this question largely on what you state on
24 page 12 with reference to making aviation gasoline
25 and the increase thereof?

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1 A In an expanding aircraft industry, which
2 is a relatively new industry for the world, every
3 nation had to concern itself necessarily with the
4 making of fuel for aircrafts. Japan had the same
5 normal needs in this respect that any other nation
6 would have; but the emphasis which I meant to place
7 upon these words as they are found in paragraph 20
8 was in connection with the plans for the expansion
9 of the military aircraft industry and the greatly
10 increased necessity for aircraft fuel for use in
11 these military planes was projected. As we have
12 noted in exhibit 841 the normal civilian require-
13 ments as projected by the Japanese Government was
14 2,000 aircraft. When we consider that in the same
15 plan or projection they expected 20,000 to 30,000
16 aircraft in the advent of war, we can understand
17 that fuel would become a grave problem likewise for
18 consideration.

19
20 Q It has become a grave problem for all
21 countries of the world, has it not, in view of the
22 development of the use of commercial aircraft and
23 other aircraft?

24 A We will have to switch over into the com-
25 mercial field and say that as fast as commercial
 aircraft development is achieved, the fuel problem

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1 must be solved accordingly. It is a question of pro-
2 portion.

3 Q When you say that, do you mean to infer and
4 do you want the Tribunal to understand that the
5 evidence you have given only relates to aspects of
6 war rather than general economic aspects of the country?

7 A No, but I think we can understand that when
8 the Government projected the use of some twenty odd
9 thousand aircraft they provided for fuel accordingly;
10 and that if the Government admits in its plans that
11 their normal needs are 20,000 aircraft and they pro-
12 vide fuel for some twenty odd thousand aircraft, it
13 seems to me obvious that there is an inordinate ex-
14 pansion in airplane fuel. That is all.

15 Q From a defensive standpoint, were not Japan's
16 airplanes obsolete and was not Japan's airplane industry
17 far behind all the nations of the world at the time
18 that you have referred to in your report?

19 THE PRESIDENT: He has already said he does
20 not claim to be able to answer those questions.

21 Q I refer you to the bottom of page 15 of
22 exhibit 84, paragraph 27 -- I am speaking of exhibit
23 840.
24

25 THE PRESIDENT: Is that page 27, Mr. Levin?

MR. LEVIN: Page 15, paragraph 27, at the bottom

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of the page.

1 Q You state: "The conservation of oil and
2 oil products was considered such a strategic problem
3 that the Planning Board gave early consideration to
4 limiting the amount of petroleum available for
5 civilian use." When did that take place?

6 A The next sentence reads: "On March 7, 1938,
7 the Ministry of Commerce and Industry Ordinance
8 No. 8, provided a rationing system for the use of
9 petroleum. It was provided at this time that gasoline
10 for private motorcars should be curtailed by 40 per-
11 cent, for taxis, buses and government cars by 30 per-
12 cent."
13

14 Q That is what I want to make clear, Mr.
15 Liebert. Was that done by the Planning Board or by
16 the Ministry of Commerce and Industry?

17 A It was an ordinance of the Ministry of
18 Commerce and Industry.

19 Q Then, am I to understand that your statement
20 with reference to the Planning Board having given
21 consideration to that matter was in error?
22

23 A Certainly not. I think we can consider the
24 ordinance as the execution of a decision made by the
25 Planning Board.

Q On what do you base that consideration --

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1 that decision?

2 A The purpose of the Planning Board, as you
3 know, was to make the universal plans for the
4 economy of Japan according to the policies decided.
5 They made plans for the import and export of specific
6 commodities even going so far as to say by whom the
7 money was to be paid and to whom the goods were to
8 be shipped and for what purpose. In this connection
9 I think we can consider that when the Planning Board
10 made a decision which was deemed important from the
11 national standpoint that it was in fact executed by
12 the competent Ministry or department charged with
13 carrying out that particular function for the nation.

14 I have here, Mr. Levin, a whole series of
15 secret plans of the Planning Board providing for
16 imports and exports, and so forth, in relation to
17 the general economy in support of plans as expressed
18 in exhibit 841 and 842. These plans are, therefore,
19 for your perusal if you wish to look at them because
20 I think they answer your question rather completely
21 in that the Planning Board at this time was rather the
22 brains that correlated all of these facts and on the
23 basis of this correlation issued general instructions.
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1 Q What is the time indicated in those reports
2 for those plans?

3 A They commence in 1937.

4 Q And who was the President of the Planning
5 Board at that time; do you know?

6 A I don't recall, Mr. Levin.

7 Q In any event, it was not the accused SUZUKI,
8 Teiichi?

9 A I don't recall, Mr. Levin.

10 Q Now, I refer you to paragraph 42, page 27,
11 of your report, that is, exhibit 840. You refer to the
12 increase in the manufacture of plaster -- plastics.
13 Can you state whether or not there has been a greater
14 increase in the manufacture of plastics in Japan than
15 in other countries?

16 A I am not prepared to make a statement on that
17 at this time.

18 Q I refer you to page 29 of exhibit 840, where
19 you speak of coke and coke oven by-products. Was not
20 the production of coke and coke oven by-products greatly
21 undeveloped in Japan, and was it not essential that
22 they increase, for heating and other purposes, produc-
23 tion of these products?

24 A No. Coke and coke oven by-products, or the
25 industry itself, was well developed in Japan.

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1 Q Now, reverting for a moment to that portion
2 of exhibit 840 in relation to the shipbuilding in-
3 dustry, which begins on page 32 of this exhibit, can
4 you state whether or not the Zaibatsu was really in-
5 terested in the further development of this industry?

6 A Nearly all of the Zaibatsu combines were in-
7 terested in shipping.

8 Q Did they have the dominating control of it?

9 A I think you can say they did.

10 Q And were they responsible for this expansion?

11 A I question whether or not the Zaibatsu them-
12 selves would have built these ships without government
13 subsidies, in many cases, as I have pointed out,
14 approximating one-half the cost of the vessel. The
15 Zaibatsu as a group were interested in making a profit.
16 If they had found it economic, that they could make a
17 profit by doing so, they probably would have gone into
18 it without the government subsidy; I do not know. But
19 I do understand that with the attractive bait of fat
20 government subsidies and a business that couldn't fail
21 to make profit, that they went into the shipbuilding
22 business. That is what the government intended.

23 Q You state in this exhibit that the unfavorable
24 age of Japanese ships -- rather, that the expansion
25 of shipbuilding was developed to improve the unfavorable

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1 age of Japanese ships for the purpose of reducing the
2 frequency of maritime casualties. You do not regard
3 that, do you, as a step in connection with the prepa-
4 ration for war?

5 A I do not know. It took place in 1932. It
6 was hard to estimate at that time on the basis of the
7 data which I have whether what I would call prepara-
8 tions for war began in 1932 or not.

9 Q Then that is a conclusion at which you have
10 arrived without any basis for it; is that correct?

11 A On the contrary, Mr. Levin, I have arrived
12 at no conclusion at all. I merely state the fact
13 the government announced that the first "scrap and build"
14 program was for the purpose of improving the unfavorable
15 age of ships and reducing the frequency of maritime
16 casualties.

17 Q As a matter of fact, that program involved
18 a reduction of tonnage rather than increase, did it not?

19 A It only involved a reduction in the gross
20 tonnage of old ships as compared with new shipping
21 built in proportion to that, the scrapping of the old
22 ones. If I might be permitted to read a statement:
23 The first program provided for the construction of
24 200,000 gross tons of new shipping on condition that
25 two tons of vessels of twenty-five years of age or

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1 over were scrapped for each ton of new vessel built
2 under subsidy. I am under the impression that in
3 order to get the subsidy for the building of a new
4 ship you had to scrap two tons of old shipping. This
5 is a very effective way of getting rid of so-called
6 graveyard ships, or the ones which are uneconomical
7 to operate.

8 Q As a matter of fact, it is not an uncommon
9 thing for nations to give subsidies for the construc-
10 tion of a ship and in relation to shipping, is it?

11 A I am under the impression that many nations
12 subsidize shipping as such.

13 Q And that the control of the shipping industry,
14 like in the United States, is under the Maritime Com-
15 mission and largely under the control of the govern-
16 ment?

17 Is that correct?

18 Q Excuse me. I didn't recognize that as a
19 question. I don't know whether it is a common prac-
20 tice for nations to undertake all shipping operations.

21 Q Mr. Liebert, throughout exhibit 840 you have
22 made calculations in relation to the financial trans-
23 actions by the government. Will you please state
24 whether or not, in the various calculations you have
25 made with reference to finance, and so forth, you

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1 have given consideration to the fact that the foreign
2 exchange rate of the yen was reduced by more than one-
3 half from 1931 to 1941?

4 A After Japan went off the gold standard for
5 the third time, in 1941, the yen was pegged to the
6 pound sterling at a value of one shilling two pence.
7 It remained there until 1939, when the yen was pegged
8 to the United States dollar for a short period. This
9 fact has had consideration in the preparation of this
10 statement in every place.

11 Q I refer you now to exhibit 852, document
12 No. 9022-A, wherein you refer to the matter of mili-
13 tary currency which was contemplated being used by
14 the army. Have you that, Mr. Liebert?

15 A Yes.

16 Q Is it not essential for a country to prepare
17 in advance for the use of currency by the army?

18 A I have never heard of its being a universal
19 principle that armies have prepared, all ready for use,
20 currency in foreign denominations to be spent.

21 Q Have you attempted to make any study of this
22 subject in relation to the evidence which you gave as
23 to the practice in other countries and for the army
24 usually?

25 A I recall a very interesting discourse on

LIEBERT

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1 this subject by one of the members of our own State
2 Department in the Financial branch, in which it was
3 pointed out that the use of money in foreign denomina-
4 tions, or worthless money since it is only a printing-
5 press operation, is one of the means by which armies
6 support themselves in living abroad in territories
7 which they have overrun. I can think of no reason
8 why any army in the world would have bundles of worth-
9 less currency printed in foreign denominations in
10 its vaults.

11 THE PRESIDENT: Except the reason given by
12 your friend in Washington.

13 THE WITNESS: Exactly, Mr. President, it goes
14 without saying; that was what I meant to say.

15 Q Is it not a customary practice or procedure
16 for the military to request the preparation of currency
17 by the finance department in the event the international
18 situation appears to make it necessary?

19 A I don't know.

20 Q It is correct, is it not, that the basic
21 decision, the determination to print and have available
22 military currency, as indicated in your testimony, was
23 made in January 1941?

24 A The earliest communication which I have been
25 able to obtain was dated 16 January 1941, and was an

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1 order to prepare plates for military currencies to
2 be used in certain unspecified areas. There must
3 have been other considerations given to this matter
4 at an earlier date, but I was unable to secure them,
5 and only got these papers by extreme difficulty. I
6 might say that the face of this first communication
7 might in part answer your previous question about a
8 customary practice of nations' activities, when the
9 postscript says as follows:

10 "Regarding particulars of the prepara-
11 tions, I would like to add for caution's sake that
12 direct communications will be made with the bureau
13 by the officials in charge."

14 The document is classified "top secret."
15 I find it difficult to believe that any normal govern-
16 ment activity should be carried on with such grave
17 secrecy and with the utmost caution.

18 THE PRESIDENT: We will recess for fifteen
19 minutes.

20 (Whereupon, at 1445, a recess was
21 taken until 1500, after which the proceed-
22 ings were resumed as follows:)
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1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now resumed.

3 THE PRESIDENT: Mr. Levin.

4 BY MR. LEVIN (Continued):

5 Q You completed your last answer, Mr. Liebert?

6 A Yes, I did, Mr. Levin.

7 Q Is it not a fact that the request for
8 making up military currency comes from the military
9 staff as normal procedure, or was that not the situ-
10 ation here?

11 A I am afraid I don't understand.

12 THE PRESIDENT: He answered that.

13 Q The Finance Minister in January 1941 was
14 KAWATA, Retsu.

15 THE MONITOR: Mr. Levin, would you spell
16 that name out, please?

17 MR. LEVIN: K-a-w-a-t-a R-e-t-s-u.

18 A I won't trust my memory to recall whether
19 that is so or not, but it is a matter of record.

20 Q And as the record shows the fact that be-
21 tween 1937 and 1941 there were nine Finance
22 Ministers.

23 I desire to call your attention to exhibit
24 852, and more specifically to the following language
25 which appears in the first paragraph on page 17.

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1 I quote: "Considering the eventuality of carrying
2 out an operation in the south regions . . ." some
3 omissions, and the words further in the last para-
4 graph on page 18 thereof, which read: "In consider-
5 ation of the eventuality of carrying out operations
6 in the South Sea area," is it not true that this
7 language reflects not the decision for war, but
8 rather the preparation in the event of war?

9 THE PRESIDENT: The meaning of that is
10 for the Court, there being no technical considera-
11 tions involved.

12 Q In paragraph 118 of exhibit 840, you
13 refer to the fact that the procedure for handling
14 this military currency is disclosed in IFS document
15 9016, dated November 1, 1941. Is it not a fact
16 that after January 16, 1941, matters relating to
17 military currency and the handling thereof became
18 a purely routine administrative matter?

19 A I don't think the procedures for the handl-
20 ing of this currency were established on January
21 16, 1941. They were established at a later date.
22 The document which I refer to, dated 1 November 1941,
23 was the instructions given by Minister KAYA to the
24 Bank of Japan. The procedures for handling this
25 had been worked out prior to this date, obviously

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1 as a routine matter among the government officials
2 themselves. It has been shown that currencies in
3 foreign denominations were actually deposited in the
4 vaults of the Bank of Japan in May of 1941. In dis-
5 cussions with the people who were handling these
6 currencies at that time, the currencies were received
7 simply labeled "Ha" Series, or "Ni" Series, or "Ho"
8 Series military currency notes. There was nothing
9 on the boxes themselves to show whether they were
10 notes of guilder or dollars or pesos denomination.

11 Q The question that I asked you directly
12 is whether or not the handling of these matters after
13 January 16, the time which was involved, as of Jan-
14 uary 16 and prior thereto, subsequently did not be-
15 come a routine administrative matter. Now you can
16 answer that, I believe.

17 THE PRESIDENT: I don't see what
18 answer he can give to that that would help us.

19 MR. LEVIN: Except this, Mr. President,
20 that it occurs to me that it might have something
21 to do with reference to placing the responsibility on
22 the Minister of Finance in November of 1941, or not.
23 Mr. KAYA did not become the Minister of Finance until
24 October 18, 1941, and that was what I had in mind in
25 relation to that question.

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1 THE PRESIDENT: Well, do you desire that
2 question to be answered with a view to shifting the
3 responsibility from the accused KAYA?

4 MR. LEVIN: That is correct.

5 THE PRESIDENT: Can you answer it, witness?

6 A The best information which I have on this
7 subject is the top secret document which is Com-
8 munication 10, drafted 27 October 1941, in which
9 there was an approval of a draft for procedure for
10 handling military currency notes in foreign denom-
11 inations for southern regions. That is the only
12 document I have which absolutely points to the con-
13 firmation or the outlines of any procedures at any
14 fixed date.

15 MR. LEVIN: It seems to me, Mr. President,
16 if I may say so, that in view of the studies and
17 experience the witness has had he could very readily,
18 without referring to any document, make a very simple
19 answer to that simple question.

20 THE PRESIDENT: If I recollect rightly, the
21 Bank of Japan had to account to the Finance Minister
22 for receipts and outgoing of notes.

23 Brigadier Quilliam.

24 BRIGADIER QUILLIAM: May it please the
25 Tribunal, I suggest that as the witness has produced

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1 to the Tribunal the documents referred to in paragraph
2 118 of his statement, he can not be expected to carry
3 the matter any further. He has not professed any
4 further knowledge.

5 THE PRESIDENT: Yes, it is for the Court to
6 construe all these documents. There are no account-
7 ancy problems involved.

8 MR. LEVIN: I think it is answered, Mr.
9 President, in exhibit 853, in Article VII. I will
10 not take the time to read it, but direct the atten-
11 tion of the Tribunal to it.

12 BY MR. LEVIN (Continued):

13 Q I want to refer you to paragraph 2. Revert-
14 ing to exhibit 840 on the five-year plan for the pro-
15 duction of war materials -- war materiel. Would you
16 state if this plan did not exist and the industrial
17 and economic activities developed, that it constitut-
18 ed preparation for war?

19 A I can not consider that the developments
20 would have taken place without the impetus given to
21 these developments by the plan. Do I understand you
22 to mean, Mr. Levin, that if the industrial progress
23 had taken place as has been demonstrated, without
24 any war plans or anything being in evidence, that we
25 could consider that war preparation?

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1 Q What I mean, would you come to the same con-
2 clusion as to -- from the economic stimulus that
3 you found, and reports that you have given, if this
4 plan did not exist?

5 A Yes, I would. As a matter of fact, from the
6 evidences of the type of industrial activity, I com-
7 menced a search for the plan and found it.

8 Q Is it not true that the alleged economic and
9 financial preparation for war by these defendants, or
10 those among them whom you have sought by your evidence
11 to charge as responsible therefor, could not have
12 been achieved without the utilization of the indus-
13 trial management, skill, experience and ability, and
14 industrial engineering, in the hands of the Zaibatsu?

15 A Yes. In my opinion, the industrial accom-
16 plishments which we have seen could not have been
17 made without the use of the facilities at the command
18 of the so-called Zaibatsu groups. Nor, in my opinion,
19 could it have been achieved without the harnessing
20 of all of the facilities of Japan to a single pur-
21 pose. That those people who made these war plans
22 fully understood this is demonstrated in that portion
23 of the war plans which sets out a means by which they
24 intend to seize control of industrial activity and
25 direct it.

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1 Q Is it not true the Zaibatsu, the military
2 and the government, all three groups in the national
3 life of Japan, cooperated closely and effectively
4 in bringing about increased productive capacity of
5 Japan.

6 A Yes. I have seen many evidences of such
7 cooperation, and where cooperation was not achieved,
8 it soon was, because the uncooperative people or
9 groups were eliminated from a position where they
10 could not cooperate.

11 Q Is it not a fact that long before the
12 adoption of the control law mentioned by you in your
13 testimony, that the Japanese economy and its finances
14 were under the monopoly control of the small group
15 which we have referred to as the Zaibatsu?

16 A Controlled in great part, yes; absolutely,
17 I would say no.

18 Q And also that the Control Association Law did
19 not in substance change this Zaibatsu control of the
20 economy and finances of Japan, and that such change
21 as this law worked was mainly one of form, but that
22 did not in any real way pertain to ownership, con-
23 trol, management and profits?

24 A The changes wrought by the Control Associa-
25 tion Law, which was promulgated pursuant to Article
.XVIII of the National Mobilization Act, the one I

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1 think you are referring to, was more than a change
2 of form of control. The Key Industries Act provided
3 that all operating plants in a particular named
4 industry were to be formed into one association.
5 That association elected, or rather, nominated, a
6 president who was appointed, if found satisfactory,
7 by the government. The other directors of the
8 association were likewise appointed by the govern-
9 ment. These people ran the industry. That is to
10 say, they ran the affairs of the association of the
11 particular industry. If, for instance, it was deemed
12 advisable from a standpoint of efficiency to merge
13 two privately owned plants into one, such a merger
14 was ordered and executed. That takes into considera-
15 tion such points you mentioned as ownership, control
16 and management. As to profits, the association
17 determined what profits should be allowed to the
18 members of the industry. These matters were all
19 worked out in connection with the heads of the asso-
20 ciations and the Planning Board and government
21 officials. But you can see that the Zaibatsu groups,
22 by controlling many large plants and a great portion
23 of the operating facilities of the country, must
24 necessarily have great weight in the selection or
25 nomination of persons who would ultimately be the
directors or presidents of such association. It has

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1 frequently been said that through appointed or
2 selected directors from Zaibatsu companies in the
3 control association, that they exercised preferential
4 treatment to certain of the plants within the control
5 of the association. It is easy to understand how
6 this would take place.
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1 Q For the purpose of effecting control, is it
2 not true that many former important and high rank-
3 ing officials of the army and navy were employed by
4 Zaibatsu in important positions in their companies?

5 A It has been said that certain of these
6 officials who were so employed, usually retired
7 officials of the army and navy, were given jobs with
8 the Zaibatsu groups because they could get preferen-
9 tial treatment with the government.

10 THE PRESIDENT: If these answers are rele-
11 vant at all, I think some attempt should be made
12 to state the authority for them. It is not the wit-
13 ness. What weight is to be given to these things?
14 They might have been said by men in the street who
15 know nothing.

16 MR. LEVIN: Excepting this, Mr. President:
17 that the witness has made such a complete study of
18 Japan that in the very nature of things he could not
19 very well help but learn a great deal about the
20 Zaibatsu and the Allied control and the relations
21 between the Zaibatsu and the various departments of
22 the government.

23 THE PRESIDENT: He is not taking the re-
24 sponsibility for his answers but assigning them to
25 some sources unknown to us and to you. One cannot

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1 allow such answers to pass without comment. I do
2 not want to interfere, but it is obviously my duty
3 to point out that much.

4 Q Can you state whether or not, as head of
5 the Control Section -- Cartel Control Section of the
6 Economic Division, you learned the sources of your
7 information that you have given us or the authority --
8 the names of the authoritative persons who gave you
9 this information.

10 A As Chief of the Controls and Cartel Section
11 I, of course, had many opportunities to get this
12 sort of information and other information by confer-
13 ences with the officials of the control associations
14 and control companies, and I might likewise say that
15 I had many conferences with officials of the govern-
16 ment on this purpose in order to find out the indus-
17 trial situation in Japan, how it was controlled, and
18 what could be done about it.

19 Q Did you base this evidence that you have now
20 given on the basis of your talks with the leaders of
21 industry and finance to whom you have referred in
22 your testimony?

23 A These are conclusions to which I have ar-
24 rived after considering many of these conferences and
25 many of the facts obtained from reports given to me

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1 in my official capacity.

2 Q Did you read General MacArthur's summation
3 as to the operations of the Zaibatsu, the military
4 and the government in relation to the questions I
5 have asked you, that these things were done and
6 profitably made on the part of the Zaibatsu?

7 THE PRESIDENT: I think my colleagues are
8 restless under this type of cross-examination. There
9 has been no objection to it.

10 MR. LEVIN: I had intended to conclude my
11 cross-examination, Mr. President. I had intended
12 to make some motion and reference to this testimony;
13 but, in view of the limitations which the Court has
14 announced that is placed on the testimony, I shall
15 say nothing in relation thereto.

16 THE PRESIDENT: I recognize only two limi-
17 tations: First, we do not treat him as an expert
18 witness; the second, that we construe the documents
19 ourselves unless technical aid is required, and he
20 cannot give it except in accountancy matters.

21 MR. LEVIN: Those are the limitations I
22 have reference to.

23 THE PRESIDENT: And thirdly, that we form
24 our own conclusions and are not bound by General
25 MacArthur's. We respect his views, but we must

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maintain our own.

Is there any other limitation that has been imposed on you, Mr. Levin?

MR. LEVIN: I am sorry.

THE PRESIDENT: Is there any other limitation that you can suggest?

MR. LEVIN: There is no other limitation that I had in mind, Mr. President.

MR. KUSANO: This is counsel KUSANO, counsel for the accused SATO, Kenryo.

CROSS-EXAMINATION (Continued)

BY MR. KUSANO:

Q I call your attention, Mr. Witness, to paragraph 104 of your statement, exhibit 840, page 81 in the English text and page 100 in the Japanese text in which you stated as follows: "The elaborately detailed planning and careful gathering of controls in the hands of the government effectively chained all industry to the national policy of industrial preparation for a far greater conflict." And then, as an example, you quoted a speech, delivered by SATO, Kenryo at the Hibiya Public Hall, in a summary form as reported by the newspaper the Mainichi Shimbun.

Mr. Witness, did you see or study the entire

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1 text of this speech which was fifteen thousand words
2 in length, of which not even half was reported in
3 the papers?

4 THE PRESIDENT: Well, you are stating facts.
5 That may or may not be so. I should say you are
6 assuming them.

7 Q I am just asking you whether you investi-
8 gated into the full text of the speech.

9 A The only text of the speech which I saw
10 was the text of the speech which is reported here as
11 document No. 9027-A, which was the one reprinted in
12 the paper.

13 THE PRESIDENT: The defense will be able to
14 prove the balance of the speech so far as relevant
15 and material.

16 Q Then you did not, Mr. Witness, investigate
17 into the report of the speech as given by the Asahi
18 Shimbun -- newspaper the Asahi Shimbun of the same
19 date?
20

21 A No. The only copy of the speech which I
22 saw was the one which I have before me as document
23 No. 9027-A. But, to avoid the fallacy of equivo-
24 cation to which you must infer, I quoted a whole
25 section as it was reprinted in the newspaper.

Q Then you did not investigate, Mr. Witness,

1 the fact that this speech was given under the aus-
2 pices of the newspaper the Asahi Shimbun with the
3 support of the Ministry for War at a purely popular
4 gathering?

5 A I only have before me my only knowledge of
6 this speech, the fact that it was given and was
7 reported in the newspaper, and this is the section
8 that was reported in the newspaper.

9 Q As this speech, Mr. Witness, was given at
10 a very purely popular gathering, the percentages
11 given in the speech with respect to the budget and
12 materials for defense preparations were not exact.
13 However, do you insist that these figures are exact ---
14 accurate?

15 A They are reasonably accurate in so far as
16 I have been able to determine.

17 Q What is your basis?

18 A The investigation which I have conducted.

19 THE PRESIDENT: We will adjourn now until
20 half past nine tomorrow morning.

21 (Whereupon, at 1600, an adjourn-
22 ment was taken until Friday, 25 October
23 1946, at 0930.)
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